

# PERAC AUDIT REPORT



## Danvers Contributory Retirement System

JAN. 1, 2003 - DEC. 31, 2004 / PERAC 04: 12-030-08



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*  
KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

JOSEPH E. CONNARTON, *Executive Director*

September 22, 2006

The Public Employee Retirement Administration Commission has completed an examination of the Danvers Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, 2003 to December 31, 2004. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exceptions noted in the findings presented in this report.

In closing, I acknowledge the work of examiner James Ryan who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## **Danvers Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

##### **Investment Regulations**

The Board commenced investment with an investment manager prior to filing the required disclosure statements and prior to receiving acknowledgment from PERAC.

##### **Recommendation:**

The Board must ensure that all selections of future investment managers fully comply with PERAC Investment Regulations. The regulations require that boards file Investment Manager Disclosure Statements with PERAC prior to the investment of funds.

##### **Board Response:**

The Board concurs with this finding and will ensure that all selections of future investment managers fully comply with PERAC Investment Regulations.

##### **Current Retirees**

The birth certificates of 2 out of 14 (14%) members were not available to support their 2005 superannuation calculations. In addition, the Board does not require birth certificates of beneficiaries as support for Option C superannuation calculations. The Option C benefit calculation has a component that is based upon the age of the beneficiary. G.L. c. 32, § 20 (5) (g) requires that boards maintain accurate and current membership and payment information.

##### **Recommendation:**

The Board must ensure that all birth certificates for members and Option C beneficiaries are verified prior to final benefit calculations. The certificates should be placed in the member's file.

##### **Board Response:**

Procedures are in place to ensure that all birth certificates for members and Option C beneficiaries are verified prior to final benefit calculations and placed in member's files.

##### **Final Determination**

*PERAC auditors will follow-up in six (6) months to ensure that the appropriate actions have been taken regarding all findings.*

## Danvers Retirement System

### STATEMENT OF LEDGER ASSETS AND LIABILITIES

FOR THE TWO YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2004

FOR THE PERIOD ENDING DECEMBER 31,		
ASSETS	2004	2003
Cash	\$35,367,366	\$1,485,914
Short Term Investments	0	0
Fixed Income Securities	0	25,697,920
Equities	25,875,177	40,207,586
Pooled Short Term Funds	0	0
Pooled Domestic Equity Funds	6,191,829	0
Pooled International Equity Funds	5,000,000	0
Interest Due and Accrued	10,994	202,906
Accounts Receivable	34,724	220,312
Accounts Payable	(69,638)	(642,728)
<b>TOTAL</b>	<b><u>\$72,410,452</u></b>	<b><u>\$67,171,909</u></b>
<b>FUND BALANCES</b>		
Annuity Savings Fund	\$16,323,335	\$14,991,161
Annuity Reserve Fund	6,943,427	7,353,453
Pension Fund	3,385,758	5,627,881
Military Service Fund	3,899	3,786
Expense Fund	0	0
Pension Reserve Fund	45,754,033	39,195,629
<b>TOTAL</b>	<b><u>\$72,410,452</u></b>	<b><u>\$67,171,909</u></b>

## Danvers Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE TWO YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2004**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2003)</b>	\$14,204,808	\$7,086,214	\$7,630,941	\$943	\$0	\$31,164,980	<b>\$60,087,887</b>
Receipts	1,755,328	214,767	3,474,277	2,843	494,455	8,030,649	<b>13,972,318</b>
Interfund Transfers	(921,243)	921,243	0	0	0		<b>0</b>
Disbursements	(47,733)	(868,772)	(5,477,337)	0	(494,455)	0	<b>(6,888,296)</b>
<b>Ending Balance (2003)</b>	<b>14,991,161</b>	<b>7,353,453</b>	<b>5,627,881</b>	<b>3,786</b>	<b>0</b>	<b>39,195,629</b>	<b>67,171,909</b>
Receipts	1,677,680	225,672	3,424,593	114	472,281	6,558,404	<b>12,358,744</b>
Interfund Transfers	(269,224)	269,224	0	0	0	0	<b>0</b>
Disbursements	(76,282)	(904,922)	(5,666,716)	0	(472,281)	0	<b>(7,120,201)</b>
<b>Ending Balance (2004)</b>	<b>\$16,323,335</b>	<b>\$6,943,427</b>	<b>\$3,385,758</b>	<b>\$3,899</b>	<b>\$0</b>	<b>\$45,754,033</b>	<b>\$72,410,452</b>

# Danvers Retirement System

## STATEMENT OF INCOME

FOR THE TWO YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2004

FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003
<b>Annuity Savings Fund:</b>		
Members Deductions	\$1,520,863	\$1,445,224
Transfers from other Systems	0	156,605
Member Make Up Payments and Redeposits	68,808	17,595
Investment Income Credited to Member Accounts	88,008	135,905
<b>Sub Total</b>	<b><u>1,677,680</u></b>	<b><u>1,755,328</u></b>
<b>Annuity Reserve Fund:</b>		
Investment Income Credited Annuity Reserve Fund	<b><u>225,672</u></b>	<b><u>214,767</u></b>
<b>Pension Fund:</b>		
3 (8) (c) Reimbursements from Other Systems	54,359	43,669
Received from Commonwealth for COLA and Survivor Benefits	138,389	266,453
Pension Fund Appropriation	<u>3,231,845</u>	<u>3,164,154</u>
<b>Sub Total</b>	<b><u>3,424,593</u></b>	<b><u>3,474,277</u></b>
<b>Military Service Fund:</b>		
Contribution Received from Municipality on Account of Military Service	0	2,784
Investment Income Credited Military Service Fund	<u>114</u>	<u>59</u>
<b>Sub Total</b>	<b><u>114</u></b>	<b><u>2,843</u></b>
<b>Expense Fund:</b>		
Expense Fund Appropriation	179,974	176,133
Investment Income Credited to Expense Fund	<u>292,307</u>	<u>318,322</u>
<b>Sub Total</b>	<b><u>472,281</u></b>	<b><u>494,455</u></b>
<b>Pension Reserve Fund:</b>		
Federal Grant Reimbursement	0	25,027
Pension Reserve Appropriation	0	0
Interest Not Refunded	507	438
Miscellaneous Income	152	190
Excess Investment Income	<u>6,557,745</u>	<u>8,004,994</u>
<b>Sub Total</b>	<b><u>6,558,404</u></b>	<b><u>8,030,649</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$12,358,744</u></b>	<b><u>\$13,972,318</u></b>

# Danvers Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE TWO YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
<b>Annuity Savings Fund:</b>	<b>2004</b>	<b>2003</b>
Refunds to Members	\$54,342	\$41,604
Transfers to other Systems	<u>21,939</u>	<u>6,129</u>
<b>Sub Total</b>	<b><u>76,282</u></b>	<b><u>47,733</u></b>
<b>Annuity Reserve Fund:</b>		
Annuities Paid	904,922	868,772
Option B Refunds	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>904,922</u></b>	<b><u>868,772</u></b>
<b>Pension Fund:</b>		
Pensions Paid		
Regular Pension Payments	3,693,739	3,674,895
Survivorship Payments	167,655	160,253
Ordinary Disability Payments	67,377	45,699
Accidental Disability Payments	487,761	426,469
Accidental Death Payments	164,466	171,469
Section 101 Benefits	18,000	18,000
3 (8) (c) Reimbursements to Other Systems	229,568	212,451
State Reimbursable COLA's Paid	838,151	768,102
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>5,666,716</u></b>	<b><u>5,477,337</u></b>
<b>Military Service Fund:</b>		
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>		
Board Member Stipend	0	0
Salaries	56,206	61,373
Legal Expenses	591	3,433
Medical Expenses	0	0
Travel Expenses	614	528
Administrative Expenses	19,544	21,561
Furniture and Equipment	0	3,067
Management Fees	318,507	338,032
Custodial Fees	30,120	23,953
Consultant Fees	<u>46,700</u>	<u>42,508</u>
<b>Sub Total</b>	<b><u>472,281</u></b>	<b><u>494,455</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$7,120,201</u></b>	<b><u>\$6,888,296</u></b>



# Danvers Retirement System

## INVESTMENT INCOME

**FOR THE TWO YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2004</b>	<b>2003</b>
<b>Investment Income Received From:</b>		
Cash	\$16,550	\$219
Short Term Investments	0	0
Fixed Income	1,255,906	1,228,204
Equities	505,188	378,082
Pooled or Mutual Funds	<u>0</u>	<u>0</u>
Commission Recapture	<u>0</u>	<u>0</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>1,777,644</u></b>	<b><u>1,606,506</u></b>
<b>Plus:</b>		
Realized Gains	4,467,810	2,179,512
Unrealized Gains	3,317,550	6,371,412
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>10,994</u>	<u>202,906</u>
<b>Sub Total</b>	<b><u>7,796,353</u></b>	<b><u>8,753,830</u></b>
<b>Less:</b>		
Paid Accrued Interest on Fixed Income Securities	(27,414)	(57,533)
Realized Loss	(2,171,660)	(1,111,328)
Unrealized Loss	(8,171)	(236,249)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(202,906)</u>	<u>(281,180)</u>
<b>Sub Total</b>	<b><u>(2,410,151)</u></b>	<b><u>(1,686,290)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>7,163,846</u></b>	<b><u>8,674,045</u></b>
<b>Income Required:</b>		
Annuity Savings Fund	88,008	135,905
Annuity Reserve Fund	225,672	214,767
Military Service Fund	114	59
Expense Fund	<u>292,307</u>	<u>318,322</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>606,101</u></b>	<b><u>669,052</u></b>
Net Investment Income	<u>7,163,846</u>	<u>8,674,045</u>
Less: Total Income Required	<u>606,101</u>	<u>669,052</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$6,557,745</u></b>	<b><u>\$8,004,994</u></b>

## Danvers Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE PERIOD ENDING DECEMBER 31, 2004**

	<b>MARKET VALUE</b>	<b>PERCENTAGE OF TOTAL ASSETS</b>
Cash	\$35,367,366	48.83%
Short Term	0	0.00%
Fixed Income	0	0.00%
Equities	25,875,177	35.72%
Pooled Short Term Funds	0	0.00%
Pooled Domestic Equity Funds	6,191,829	8.55%
Pooled International Equity Funds	<u>5,000,000</u>	6.90%
<b>GRAND TOTALS</b>	<b><u>\$72,434,372</u></b>	<b><u>100.00%</u></b>

For the year ending December 31, 2004, the rate of return for the investments of the Danvers Retirement System was 9.05%. For the five-year period ending December 31, 2004, the rate of return for the investments of the Danvers Retirement System averaged 3.79%. For the nineteen-year period ending December 31, 2004, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Danvers Retirement System was 9.35%.

## **Danvers Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

The Danvers Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

May 2, 1996

20.03(1) Equity investments shall not exceed 50% of the total market value of the portfolio at the time of purchase.

## **Danvers Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all Danvers Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

## **Danvers Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Danvers Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The Danvers Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 28, 1984

1) To be considered for membership applicant must be:

Regularly employed for 20 hours or more each week.

Be regularly employed with a stated hourly or yearly rate of compensation.

## **Danvers Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

##### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)**

###### **2) Creditable Service:**

One years credit is to be granted for every (5) years of service for Call Firemen, up to a maximum of five years of creditable service, provided that such service as Call Firemen shall only be credited if such Call Firemen were later appointed as permanent members of the fire department.

All employed members whose regular work schedule for the calendar year is less than (40) hours per week, shall be given creditable service on a pro-rated basis on the average hours worked for the calendar year, except those employees specifically covered by Chapter 32, s.4 (2) (b) or any special law.

###### **3) Benefits to Dependents who have attained age 18:**

Dependents benefits cease at age 21 as stated by G.L. c.32, s.12B.

Benefits to be paid through date of graduation from college or through last day of schooling if dependent does not complete college, provided that all such dependent benefits must cease at or before age 21, regardless of date of graduation or last day of schooling.

Contact the parent/guardian to provide the Board with certification of attendance from the school and inform the parent/guardian of their responsibility to keep the Board informed regarding the dependent's student status.

In order to facilitate the application of such provisions, which relate to dependent benefits, this Division has included a sanitized copy of an advisory opinion pertaining to such benefits.

###### **4) Policy for determining annual wage for computing allowance under Veteran's Act, G.L. c. 32, s. 56:**

Shift differential to be computed on the actual number of shifts worked in the (12) twelve month period preceding the date of retirement.

Holiday pay will be figured at 1/5 of weekly rate for the number of paid holidays in a calendar year.

## **Danvers Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

##### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)**

August 14, 1985

The approved regulation number 1 was amended by adding the following:

Notwithstanding the foregoing, teacher aides who are regular employees working a full school year for a minimum of 20 hours or more each week and are permanent employees with a stated hourly or yearly rate of compensation shall be eligible for membership. Failure to comply with any of the foregoing criteria shall render the individual ineligible for membership. Excluded from membership are teachers aides who are employed on a one-year basis.

May 15, 2003

Pursuant to the authority vested in the Commission under G.L. c. 7, § 50, the Board's supplementary rule regarding Authorization for Travel and Travel Related Expenses is approved.

March 7, 2005

##### **Military Buyback Plan**

Purchase 1 Year	Due six (6) months after acceptance date
Purchase 2 Years	50% due six (6) months after acceptance date 50% due eighteen (18) months after acceptance date
Purchase 3 Years	33% due six (6) months after acceptance date 33% due eighteen (18) months after acceptance date 33% due thirty (30) months after acceptance date
Purchase 4 years	25% due six (6) months after acceptance date 25% due eighteen (18) months after acceptance date 25% due thirty (30) months after acceptance date 25% due forty two (42) months after acceptance date

In all cases payments must be made in full prior to the individual's retirement date and no billing will be done by the Retirement Office.



## **Danvers Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Leonard A. Marshall

Appointed Member: Wayne P. Marquis                      Term Expires: 11/26/07

Elected Member: Robert J. Cyr                              Term Expires: 06/30/08

Elected Member: Dana M. Hagan                              Term Expires: 06/30/08

Appointed Member: Charles Lavasseur                      Term Expires: 09/02/07

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$10,000,000.00
Elected Member:	)	CRAY-DOWD INSURANCE
		AGENCY, INC
Appointed Member:	)	
Staff Employee:	)	

# Danvers Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants, Inc as of January 1, 2005.

The actuarial liability for active members was	\$44,968,321
The actuarial liability for retired members was	<u>56,922,188</u>
The total actuarial liability was	<b>101,890,509</b>
System assets as of that date were	<u>74,769,888</u>
The unfunded actuarial liability was	<b><u>\$27,120,621</u></b>
 The ratio of system's assets to total actuarial liability was	 73.4%
As of that date the total covered employee payroll was	\$18,845,955

The normal cost for employees on that date was 7.77% of payroll

The normal cost for the employer was 5.24% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** Varies by year

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2005

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/05	\$74,769,888	\$101,890,509	\$27,120,621	73.4%	\$18,845,955	143.9%
1/1/03	72,105,466	96,413,574	24,308,108	74.8%	17,105,250	142.1%
1/1/01	72,004,870	86,832,829	14,827,959	82.9%	15,110,384	98.1%
1/1/98	49,283,745	69,977,307	20,693,562	70.4%	13,763,498	150.4%

## Danvers Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE TWO YEAR PERIOD ENDING DECEMBER 31, 2004**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Superannuation	15	14	17	11	2	19	14	11	19	6
Ordinary Disability	0	0	1	0	0	0	0	0	0	0
Accidental Disability	1	0	0	0	0	0	0	0	1	0
<b>Total Retirements</b>	<b>16</b>	<b>14</b>	<b>18</b>	<b>11</b>	<b>2</b>	<b>19</b>	<b>14</b>	<b>11</b>	<b>20</b>	<b>6</b>
Total Retirees, Beneficiaries and Survivors	400	404	407	417	417	416	413	425	435	425
Total Active Members	397	401	401	432	435	456	442	437	447	465
<b>Pension Payments</b>										
Superannuation	\$1,866,385	\$2,029,568	\$2,200,725	\$2,305,103	\$2,633,596	\$3,000,225	\$3,248,587	\$3,391,473	\$3,674,895	\$3,693,739
Survivor/Beneficiary Payments	146,016	154,119	169,182	167,917	361,483	355,508	341,924	349,498	160,253	167,655
Ordinary Disability	49,536	49,536	55,927	43,233	43,728	43,728	43,728	45,699	45,699	67,377
Accidental Disability	398,121	411,189	399,137	400,248	425,838	420,383	416,421	417,658	426,469	487,761
Other	<u>595,941</u>	<u>670,597</u>	<u>701,227</u>	<u>733,909</u>	<u>597,027</u>	<u>707,135</u>	<u>749,760</u>	<u>839,602</u>	<u>1,170,021</u>	<u>1,250,184</u>
<b>Total Payments for Year</b>	<b><u>\$3,055,999</u></b>	<b><u>\$3,315,009</u></b>	<b><u>\$3,526,198</u></b>	<b><u>\$3,650,410</u></b>	<b><u>\$4,061,672</u></b>	<b><u>\$4,526,979</u></b>	<b><u>\$4,800,420</u></b>	<b><u>\$5,043,930</u></b>	<b><u>\$5,477,337</u></b>	<b><u>\$5,666,716</u></b>

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